Shelby County Retirement Choice

Making Choices That Count

Required Retirement Choice takes place from May 30 to midnight Central time on July 22, 2005. Watch for employee meetings starting in mid-May and a decision kit with a personal statement that will be distributed to you in late May or early June.

On September 1, 2005, Shelby County will launch a new retirement plan – Plan C. The plan has been designed to respond to needs of the County's diverse workforce, with:

- A "25 and out" feature that allows employees to retire earlier than age 65 with a full retirement benefit … giving added flexibility to longer-service employees
- An account-based approach to providing retirement benefits … allowing younger, shorter-service employees to see the value of their benefit grow at a faster pace during the early part of their careers.

With this change, all active Retirement Plan A participants hired or rehired before March 1, 2005 ***must make a choice*** … to stay in Plan A or move to Plan C.

The choice period takes place from late May through midnight Central time on July 22, 2005, and everyone must make a choice. This is a one-time decision between Plan A and Plan C that cannot be changed.

Employees hired or rehired on or after March 1, 2005 will automatically move to Plan C in September.

In late May or early June, eligible employees will receive a personal statement and decision kit, along with access to an online Retirement Choice Tool that helps compare the two plan options at various ages. In the meantime, this overview provides a high-level look at the two options and some examples to help you get ready to make your retirement plan choice.

How Benefit Value Grows: Plan A and Plan C

Plan A – A Defined Benefit Approach

Plan A uses a formula that multiplies your final average earnings by a percentage, reflecting your age and credited service at retirement. The benefits are fully-funded by Shelby County. They accumulate slowly when workers are young and new to the County, and increase sharply at the end of a long career. This growth pattern encourages a full career with the County.

Plan A Benefit Formula

Final average earnings	X	a percentage based on your age and years of credited service

Benefits at age 65 range from 1.5% to 90% of final average earnings, based on credited service (up to 40 years)

Plan C – An Account Approach

Plan C uses a "retirement account" – with benefits funded by you and the County. Plan C benefits build more evenly over your career at Shelby County, regardless of age or the point at which you join the County. This account approach reflects the needs of today's more mobile workforce, where workers tend to work for several employers over their careers, rather than just one.

Plan C Benefit, *Better of:*

Formula benefit	or	Account-based benefit
Final average earnings X years of credited service X 2.35%		Monthly benefit produced by your account balance from • pre-tax employee contributions of 6% of pay • County matching contributions of 3% of pay • 5% annual interest

Monthly benefits using either approach are reduced by any lump sum payment. County will make additional contributions to plan as needed to fund plan benefits.

Five-Year Transition Period

To retire with benefits from Plan C, you must make contributions to the plan for at least five years. If you do not complete five years, then your benefit will revert to Plan A's benefit, and you will get your 6% contributions back with 5% annual interest.

Plan C – Added Flexibility:

When You Retire, How You Receive Benefits

- You may retire and begin receiving unreduced Plan C retirement benefits any time after you complete the Plan C transition period and have at least 25 years of credited service. With Plan A, you cannot retire and receive unreduced retirement benefits until age 65; reduced benefits are available as early as age 55 with 7-1/2 years of credited service.
- No matter when you leave the County – as long as you have 7-1/2 years of credited service and have completed the five-year transition period – you may receive a lump sum of up to $50,000 from Plan C, representing all or part of the value of your future monthly benefit. Any additional value is paid as a monthly benefit. With Plan A, you may receive a lump sum benefit only if the value of your future benefit is less than $35,000.
- If you die before you retire, Plan C death benefits are payable to your spouse and/or children, or to a named beneficiary if you are not married. With Plan A, benefits are payable only to a spouse and/or children; if you are not married, no benefit is paid.

What Flexibility Can Mean to You

These two examples are designed to help you understand the flexibility Plan C offers when it comes to choosing a retirement date – and what you might spend up to various points in your Shelby County career to have that flexibility.

Keep in mind that the examples reflect a 2% annual pay increase, as well as some assumptions about 2005 pay, and age and service at termination of employment (including retirement). Your own benefits will vary based on your age, years of credited service, pay and final average earnings.

As you plan for retirement, keep in mind that inflation will affect the buying power of your projected benefits, so that they are not likely to buy as much in the future as the same dollars buy today.

Example #1: Mark

As of September 1, 2005, Mark will be 35 years old and have 5 years of credited service. He will earn an estimated $30,000 in 2005. Here's how Mark's projected benefits under Plan A and Plan C compare:

If Mark works to age:	If he chooses Plan A (current), his benefit at the following ages will be:	If he chooses Plan C (new), his benefit at the following ages will be:
40 (5 more years … taking him to the end of the Plan C transition period)	Estimated value of Mark's benefits: $7,420 at age 40 Immediately: $7,420 lump sum payment before any taxes have been paid, with no future monthly benefit option … Plan A automatically pays out lump sums under $20,000	Estimated value of Mark's benefits: $15,498 at age 40 Immediately: $15,498 lump sum before any taxes have been paid (the value of his 6% contribution and the 3% matching contribution) … Plan C automatically pays out lump sums under $20,000
45 (10 years from Plan C start date)	Estimated value of Mark's benefits: $19,718 at age 45 Payable Immediately: • $19,718 lump sum before any taxes have been paid … in lieu of any future monthly benefits *Mark will have contributed $0 to the cost of Plan A benefits.*	Estimated value of Mark's benefits: $36,891 at age 45 Payable Immediately: • $36,891 lump sum before any taxes have been paid … in lieu of any future monthly benefits If Mark waits until age 55 to begin receiving benefits: • $438 per month or • $50,000 lump sum and $74 per month* If Mark waits until age 65 to begin receiving benefits: • $1,033 per month or • $50,000 lump sum and $603 per month *Mark will have contributed approximately $19,709 from his pay.*
55 (20 more years … to reach Plan C's "25 and out")	Estimated value of Mark's benefits: $201,949 at age 55 Payable Immediately: • $1,473 per month • No lump sum available If Mark waits until age 65 to begin receiving benefits: • $1,964 per month • No lump sum available *Mark will have contributed $0 to the cost of Plan A benefits.*	Estimated value of Mark's benefits: $287,625 at age 55 Payable Immediately: • $2,098 per month or • $50,000 lump sum and $1,733 per month If Mark begins collecting benefits at any age after 55, his monthly benefit (without any lump sum) would be $2,098. *Mark will have contributed approximately $43,735 from his pay.*
65 (30 more years)	Estimated value of Mark's benefits: $417,816 at age 65 Payable Immediately: • $3,591 per month • No lump sum available *Mark will have contributed $0 to the cost of Plan A benefits.*	Estimated value of Mark's benefits: $416,549 at age 65 Payable Immediately: • $3,580 per month or • $50,000 lump sum and $3,151 per month *Mark will have contributed approximately $73,023 from his pay.*

* *Note: If Mark takes the lump sum and the monthly value of any remaining benefit is less than $200, the entire benefit will be paid as a lump sum.*

Reminder:

Your own benefits will vary based on your age, years of credited service, pay and final average earnings.

Example #2: Cindy

Cindy is 45 years old and has 20 years of credited service. She will earn $30,000 in 2005. Here's how Cindy's projected benefits under Plan A and Plan C compare:

If Cindy works to age:	If she chooses Plan A (current), her benefit at the following ages will be:	If she chooses Plan C (new), her benefit at the following ages will be:
50 (5 more years, to the end of the Plan C transition period …coincidentally, Cindy also reaches Plan C's "25 and out" at the same time)	Estimated value of Cindy's benefits: $53,351 at age 50 Payable Immediately: • No monthly benefit until age 55 • No lump sum available If Cindy waits until age 55 to receive benefits: • $530 per month • No lump sum available If Cindy waits until age 65 to receive benefits: • $1,459 per month • No lump sum available *Cindy will have contributed $0 to the cost of Plan A benefits.*	Estimated value of Cindy's benefits: $225,509 at age 50 Payable Immediately: • $1,559 per month or • $50,000 lump sum and $1,213 per month If Cindy begins receiving benefits at any age after 50, her monthly benefit (without any lump sum) would be $1,559. *Cindy will have contributed approximately $9,367 from her pay.*
55 (10 more years)	Estimated value of Cindy's benefits: $210,851 at age 55 Payable Immediately: • $1,538 per month • No lump sum available If Cindy waits until age 65 to receive benefits: • $2,051 per month *Cindy will have contributed $0 to the cost of Plan A benefits.*	Estimated value of Cindy's benefits: $283,143 at age 55 Payable Immediately: • $2,065 per month or • $50,000 lump sum and $1,701 per month If Cindy begins receiving benefits at any age after 55, her monthly benefit (without any lump sum) would be $2,065. *Cindy will have contributed approximately $19,709 from her pay.*
65 (20 more years)	Estimated value of Cindy's benefits: $373,914 at age 65 Payable Immediately: • $3,214 per month • No lump sum available *Cindy will have contributed $0 to the cost of Plan A benefits.*	Estimated value of Cindy's benefits: $390,532 at age 65 Payable Immediately: • $3,357 per month or • $50,000 lump sum and $2,927 per month *Cindy will have contributed approximately $43,735 from her pay.*

About The Lump Sums Shown

- Plan A – Lump sum values of less than $20,000 are automatically paid out at termination. Lump sum values from $20,000 to $34,999 may be requested by participant at termination or retirement. Lump sums take the place of monthly benefits.
- Plan C – Lump sums of less than $20,000 are automatically paid out at termination. Lump sum up to $50,000 (in $10,000 increments) may be requested at termination or retirement – in place of the monthly benefit represented by that value. Any remaining value is payable as a monthly benefit.
- Lump sum estimates reflect current rules and assumptions for Plans A and C. Those rules and assumptions could change in the future.

Making Your Choice Count

As you get ready to learn more about your retirement plan choice and select the best plan for you, think about:

- **When you think you will leave the County or retire.** Remember that Plan C has a five-year transition period; if you plan to leave the County in the next five years, this option probably is not right for you. For younger employees, Plan C generally delivers more value when you retire with 25 years of credited service; if you stay beyond that age, Plan A will often deliver more value. The personal statement and Retirement Choice tool available in late May will help you compare your personal situation.
- **How much flexibility you want or need when it comes to making regular contributions toward your retirement income.** If you select Plan C, you will contribute 6% of pay for the rest of your career with the County; you cannot stop your Plan C contributions. Regardless of which plan you select, you may always set aside money for retirement through the Nationwide Deferred Compensation Plan. If you stay in Plan A, you might want to consider using the Nationwide Deferred Compensation Plan to set aside the same 6% of pay for retirement as you would be contributing under Plan C. The advantage of this approach over joining Plan C is flexibility: You could decide to contribute 6% of pay (or more – or less) now, and change your contribution as you need or want to in the future.
- **Your income needs and resources for the future.** Taking time now to think this through can help you be ready to make an informed choice.

Don't Forget

Other important parts of your financial future as you prepare to make a choice between Plan A and Plan C:

- **No matter which retirement plan you select, the Nationwide Deferred Compensation Plan can make a substantial difference in your future income.** You can save as much as the IRS limit allows – in 2005, that limit is $14,000. You can invest in a variety of investment funds the plan offers. You may change your contribution amount or your investments any time. Your contributions are made with pre-tax dollars from your pay, and your money grows tax-deferred until you receive a payment from the plan.
- **Retiree medical expenses and coverage should be part of your choice process.** Healthcare might very well determine when you can retire. In deciding which retirement plan to choose, think about what kind of healthcare coverage you will have after you retire, particularly if you retire before age 65. The cost of healthcare will probably be one of the most expensive items in your budget after you retire and in recent years has increased two to three times faster than the Consumer Price Index. Retiree healthcare coverage is not a vested part of your retirement benefit; it can and has changed in recent years.

What's Next?

Your decision kit and the Retirement Choice Tool will be available in late May/early June. That's about when the County will begin meetings for most Plan A participants. At those meetings, you can learn more about the choice ahead and ask your questions.

The description of the Retirement Choice Program provided in this overview, as well as in other communication materials, is intended to be a summary of key plan provisions. The plans are governed by formal plan documents and, in the event of any conflict, the formal plan documents will control. Shelby County reserves the right to amend all of its employee benefit plans, in whole or in part, from time to time.

Participation in retirement choice does not create any contractual or other right to receive any other benefits, nor does your participation or projections of benefit growth constitute a condition or right of future employment.